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BULLETIN LIRC 2001-01

DATE: February 14, 2001

TO: ALL PROPERTY & CASUALTY INSURANCE COMPANIES WRITING
COMMERCIAL AUTOMOBILE LIABILITY OR GENERAL LIABILITY
IN LOUISIANA

RE: Experience Modifier Issued by the Department of Insurance – Additional
Information

On November 15, 2000 the Louisiana Insurance Rating Commission (LIRC) approved new Insurance Services Office (ISO) experience rating plans to be effective on and after April 1, 2001. (Refer to Bulletin LIRC 2000-04.)

When the new ISO experience rating plans were approved, the LIRC determined that it would no longer calculate and issue experience modifiers (EMOD) on behalf of the insurance industry. The LIRC's intent to stop calculating and issuing EMODs was communicated to the insurance industry with Bulletin LIRC 2000-04. As set forth in Bulletin LIRC 2000-04, the LIRC will no longer initiate the calculation of EMODs on or after April 1, 2001.

This LIRC action means that an insurance company **that is not an ISO subscriber** may not have a commercial automobile liability or general liability experience rating plan approved for use on April 1, 2001. These companies should file their experience rating plans with the LIRC.

The purpose of this Bulletin is to clarify issues regarding the transition of responsibility to calculate an EMOD from the LIRC to an insurance company. Issues are categorized by subject. The categories are New Business, Renewal Business, Filing Requirements, and Audits.

I. New Business

- A. The LIRC will continue to issue EMODs requested on new commercial automobile liability and general liability policies with an effective date of March 31, 2001 or earlier.
 - 1. The March 31, 2001 "cutoff" is the effective date of the policy, not the date an insurer requests the EMOD. The LIRC will service any request for an EMOD on a new commercial automobile liability or general liability policy, with an effective date on or before March 31, 2001.
 - 2. The LIRC **will not service** any request for an EMOD that is received by the Experience Rating Department after June 30, 2001.

3. When the LIRC initiates the calculation of an EMOD for new business, the calculation will be issued to the insurance company.
4. The LIRC will follow established procedures for initiating the collection of policy experience and calculating the experience modifier.
5. All requests of the LIRC to calculate an EMOD on a new policy will be performed using the ISO Louisiana experience rating plans currently in effect. These plans are

Automobile Liability Plan # 19-232 (3-82 ED)

Automobile Physical Damage Plan # 21-400 (4-87 ED)

General Liability Plan # 17-450 (8-88 ED)

- B. Beginning with the April 1, 2001 policy effective date, the insurance company will be responsible for calculating EMODs on all new business.
- C. All requests for an EMOD initiated after June 30, 2001, regardless of the new business effective date, are the responsibility of the insurance company.

II. Renewal Business

- A. The LIRC will initiate and complete the calculation of an EMOD on renewal commercial automobile liability and general liability policies until March 31, 2001. The LIRC will cease the initiation of the calculation for an EMOD on renewal business April 1, 2001.

Since the LIRC process to calculate an EMOD begins 90-days in advance of the policy's expiration, by March 31, 2001 the LIRC will have initiated the calculation for an EMOD on renewal policies with effective dates on or before June 30, 2001.

1. When the LIRC initiates the calculation of an EMOD for renewal business, the LIRC calculated EMOD will be issued to the insurance company.
 2. The LIRC will follow established procedures for initiating the collection of policy experience and calculating the experience modifier.
 3. All LIRC-initiated or company-initiated requests to calculate an EMOD on a renewal policy will be performed using the ISO Louisiana experience rating plans currently in effect (see I.A.5 above).
- B. **Beginning with the July 1, 2001 policy effective date, the insurance company will be solely responsible for calculating EMODs on all renewal business.**
 - C. For renewal policies beginning with April 1, 2001 and extending through June 30, 2001 effective dates, **the insurance company has a procedural choice** with regard to the application of an EMOD.

1. **The insurance company may choose to use their LIRC approved experience rating plans to calculate an EMOD.**
2. Since the LIRC will complete the calculation of an EMOD, under the old experience rating plans, for policies with effective dates between April 1, 2001 and June 30, 2001, **the insurance company may choose to apply the EMOD issued by the LIRC.**
3. The choice by the insurance company (either II.C.1 or II.C.2 above) must be applied to all renewing policies in a fair and equitable manner.
4. The LIRC requests that the insurance company notify the LIRC of its choice regarding applied EMODs on policy renewals with effective dates between April 1, 2001 and June 30, 2001 (either II.C.1 or II.C.2 above).

III. Filing Requirements

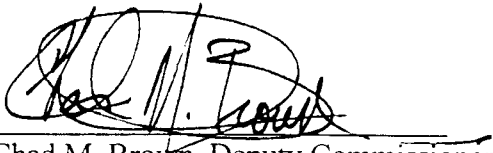
- A. Before utilizing the new ISO experience rating plans, an insurance company must file its ELR with the LIRC. If an insurer fails to file and receive approval of their ELR, the insurer will be using an unapproved rating plan. The LIRC has regulatory authority over rates and rules and maintains all remedies to correct such an occurrence as defined in Louisiana statutes.
- B. **If an insurance company is an ISO subscriber**, use of the new ISO experience rating plans is automatic beginning April 1, 2001 unless the insurer receives approval from the LIRC for alternative plans or an exception to the plans.
 1. It is not mandatory that an insurance company use the new experience rating plans. An insurer may choose to use the new plans, continue to use the old plans, use exceptions to the old or new plans, or use independently filed experience rating plans, subject to LIRC approval.
 2. It is not mandatory that an insurance company implement the new experience rating plans on the April 1, 2001 effective date. An insurer may choose to delay implementation, subject to LIRC approval. In this case, the insurer would calculate an EMOD using the old experience rating plans beginning April 1, 2001.
- C. An insurer may not implement the new experience rating plans before April 1, 2001.
- D. **If an insurance company is not an ISO subscriber**, the company should file its own experience rating plans with the LIRC. Without LIRC approval, the company will not have any experience rating plan approved beginning April 1, 2001.
- E. Filings must follow the guidelines set forth in Bulletin LIRC 93-01.

IV. Audits

- A. After April 1, 2001, the LIRC may, at its discretion, audit the insurance company's calculation of an EMOD. The audit will be initiated by the LIRC, in writing.
- B. Upon receipt of an LIRC audit request, the insurer must forward to the Experience Rating Department two copies of the worksheet used to calculate the EMOD and a self-addressed envelope.
- C. Each company should develop its own worksheet to be utilized in the EMOD calculation. **Do not file these worksheets with the Department's Forms Division; they do not require DOI approval.**
- D. If the audited calculation of the EMOD is found to be in accordance with the insurance company's approved rating plan, a copy of the worksheet will be returned to the company stamped "AUDITED <date> In Compliance".
- E. If errors are found during the EMOD audit, the Experience Rating Department will issue an amended EMOD that must be applied by the company. However, the insurance company maintains its right to seek administrative relief as prescribed in applicable Louisiana statutes.

This Bulletin is not a directive, regulation, or rule. It is issued by the DOI and LIRC to provide assistance to insurers during implementation of the newly approved ISO experience rating plans and the LIRC's decision to discontinue the calculation of commercial automobile liability and general liability EMODs. This Bulletin is issued under the authority of LRS 22§1402, §1404, §1407, §1415.B, and §1447.

If you have questions regarding this Bulletin, please contact Barita Morgan by phone at 225-342-5213 or by email at bmorgan@ldi.state.la.us.



Chad M. Brown, Deputy Commissioner/Office of Insurance Rating

Bulletin LIRC 2000-04

DATE: November 30, 2000

TO: ALL PROPERTY & CASUALTY INSURANCE COMPANIES WRITING
COMMERCIAL AUTOMOBILE OR GENERAL LIABILITY IN LOUISIANA

RE: Experience Modifier Issued by the Department of Insurance

On November 15, 2000 the Louisiana Insurance Rating Commission (LIRC) approved the following filings submitted by the Insurance Services Office (ISO):

- *RP 2000-RAL1-Louisiana, Introduction of the Multistate Commercial Automobile Liability Experience and Schedule Rating Plan in Louisiana (#46 on the 11/15/2000 LIRC Agenda)*
- *RP 2000-RPD1-Louisiana, Introduction of the Multistate Commercial Automobile Physical Damage Experience and Schedule Rating Plan in Louisiana (#47 on the 11/15/2000 LIRC Agenda)*
- *RP 2000-RGL1-Louisiana, Introduction of the Multistate Commercial General Liability Experience and Schedule Rating Plan in Louisiana (#48 on the 11/15/2000 LIRC Agenda)*

These three filings will become effective on April 1, 2001. On this date, all property and casualty insurance companies writing commercial automobile liability, commercial automobile physical damage, or commercial general liability insurance in Louisiana must begin using these plans. **THIS MEANS THAT BEGINNING APRIL 1, 2001, THE CALCULATION AND ISSUANCE OF ALL EXPERIENCE MODIFIERS WILL BE THE RESPONSIBILITY OF THE INSURANCE COMPANY. THE DEPARTMENT OF INSURANCE (DOI) WILL NO LONGER ISSUE EXPERIENCE MODIFIERS ON OR AFTER APRIL 1, 2001.** The company is advised to consult all ISO circulars regarding these plans.

The DOI will audit the calculation of modifiers through December 31, 2001. **Upon request, insurance companies must forward to the DOI all data, factors, and worksheets used by the insurance company in their calculation of an experience modifier.** After December 31, 2001, the DOI will audit the experience modifier calculation less frequently. In these cases the audit will often be combined with a consumer inquiry audit or market conduct audit.

This Bulletin is not a directive, regulation, or rule. It is issued by the DOI and LIRC to provide assistance to insurers during implementation of the newly approved ISO experience rating plans. This Bulletin is issued under the authority of LRS 22§ 1402, § 1404, § 1407, § 1415.B, and § 1447.

If you have questions regarding this Bulletin, please contact Barita Morgan by phone at 225-342-5213 or by email at bmorgan@ldi.state.la.us.

Chad M. Brown, Deputy Commissioner/Office of Insurance Rating